

CATAWBA COUNTY, NORTH CAROLINA
May 12, 2008

CATAWBA COUNTY BOARD OF COMMISSIONERS

Ladies and Gentlemen:

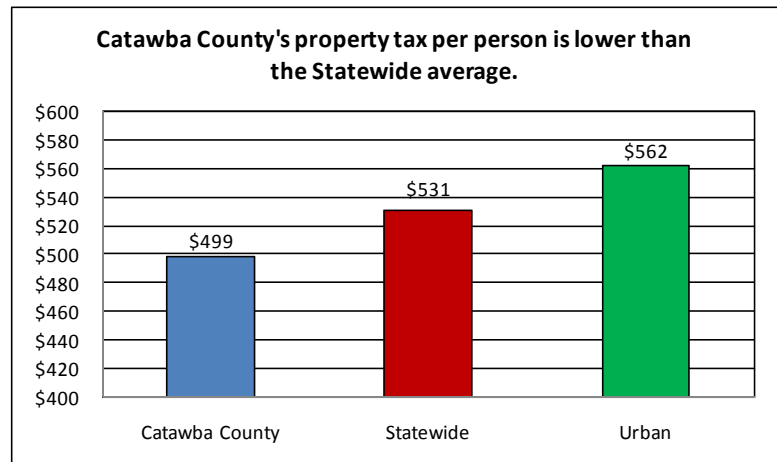
I hereby submit my recommended Catawba County Fiscal Year 2008/09 budget in the amount of \$221,731,226, maintaining the current property tax rate as promised with the passage of the quarter cent sales tax. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act. The budget funds the debt payments for the current four year cycle of facility needs for the three school systems and Catawba Valley Community College, needed water and sewer projects, additional public safety positions in law enforcement, EMS, the E-911 Communications Center, Animal Services, and expansion of Park hours.

REVENUE HIGHLIGHTS

The tax base for Fiscal Year 2008/09 is \$14.8 billion and includes real property, personal property, and vehicles. This budget maintains the property tax rate of \$0.5350 per \$100 of valuation, which is the 5th lowest tax rate of the 23 urban counties - those with a population over 100,000 -- and the 27th lowest of all 100 counties in North Carolina.

Catawba County's property tax per person is 7% below the State average and 13% below the average in similar urban counties.

The budget projects a 1.65% increase in property tax revenue for Fiscal Year 2008/09 as a result of new construction, reflecting the appreciation of real property. Along with fees for services, the property tax remains the only substantial source of revenue the North Carolina General Assembly allows the Board of Commissioners to control in order to provide services.



Though Statewide sales tax numbers have recently indicated a slowdown in retail sales we are doing better locally and are projecting 3% growth for Fiscal Year 2008/09. Catawba County is the hub of commercial/retail sales in the Greater Hickory Metro area which includes Catawba, Alexander, Burke and Caldwell Counties.

Sales Tax Receives Overwhelming Voter Approval

A property tax increase this past year to fund jail expansion and education was not our method of choice for generating needed revenue. We had asked our local delegation to sponsor legislation in the General Assembly for a one cent local option sales tax so that all citizens would share in the cost of needed improvements and not force us once again to tax only those who own property. Members of the delegation did sponsor legislation, but it was not approved by the General Assembly.

However, during the 2007 session, counties were granted local authority to levy either a ¼ cent sales tax or a land transfer tax if approved by public referendum. Though this fell short of the one cent sales tax option we sought, it was a step in the right direction. In November 2007, Catawba County citizens overwhelmingly passed a local-option sales tax referendum that will help distribute the cost of paying for growth and infrastructure needs by providing a more diversified revenue stream.

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With Catawba County voters overwhelmingly voting “yes” by a three to one margin for the ¼ cent sales tax, Catawba became one of six counties that approved the measure, allowing us to avoid a 3.6 cent property tax increase over the next three years. This verified the Board of Commissioners’ belief that, when given the choice, most citizens would prefer to pay for services through sales tax instead of property tax. A sales tax captures revenue from those who live in the County but do not own property, as well as those who live outside of the County but come in to work and shop. The estimated \$5 million in revenue that will result from the new sales tax will be used to fund economic development, water and sewer lines, school and community college operating, needed additions at the Justice Center to provide more courtroom space, and a Public Safety Center that will include a new 911 Center, Emergency Operations Center, and EMS and Rescue Squad space, while avoiding a property tax increase to address these needs.

There is still work to be done

Though the addition of this new revenue has helped our financial picture, we continue to work to convince legislators of the need for revenue options, other than property tax, which are essential if we are to pay for State mandates, ongoing school building needs, water and sewer lines, and other infrastructure projects that will be needed to meet growth in our county. For several years we have worked to secure flexible local revenue options as we support the concept that what one local government has been authorized as a local revenue option should be available to all local governments. We are working to avoid continued reliance on the property tax, but can only do this if the State provides greater revenue flexibility and options to meet the needs of growth and the demand for services.

Property taxes can penalize elderly citizens living on a fixed income. As promised, the Board of Commissioners has made support of an increase in the Homestead Exclusion income limit a top priority on its legislative agenda. A Resolution was unanimously passed in

November 2007 urging the local legislative delegation to sponsor legislation to increase the

The Board of Commissioners has made its top legislative priority an increase in the Homestead Exclusion income limit to \$35,000.

income level from \$25,000 to \$35,000 to provide property tax relief for the senior citizens of Catawba County.

Unfair State Tax

Last year, the State adopted a \$2 per ton solid waste disposal tax that will have a negative impact on business and individual citizens starting July 1, 2008. Catawba County fought the bill last year and is seeking repeal of the \$2 per ton tax this year. Citizens and businesses in Catawba County should not be required to pay additional tipping fees so the State can address problems with solid waste facilities in other counties. Catawba County has been a leader in addressing solid waste as the first county in the State to control solid waste collection by franchise to improve and protect the County's environment, and the first to provide Countywide curbside recycling, an effort that has helped to rank us 2nd in the State in recycling per person. Catawba County, partnering with businesses and citizens, has done an excellent job addressing local issues and managing our solid waste resources without relying on the State to fix our problems, and our citizens should not have to pay for those counties that have not been proactive.

Our local economy

The unemployment rate in North Carolina has just increased, and Catawba County's rate is just below 6%. At the same time, Catawba County was third in job gain percentage among the 25 Western North Carolina counties. The rate of home foreclosures is a serious issue facing the national economy, but the rate of increase in foreclosures has slowed dramatically in our Metropolitan Service Area (MSA) over the past year. The number of foreclosures was only 1.6% higher in 2007 than in 2006, well below the State average change of 9.4%, which may be a sign that the housing market here is stabilizing.

Since 2005, our MSA's commercial construction value has more than tripled to \$153.7 million. While part of the increase in commercial permit value between 2005 and 2007 is due to higher construction costs, some large commercial projects have been constructed over the past two years, including the Target distribution center off US 321 in Catawba County. Industrial construction value increased \$22.1 million in 2007 due to new industrial activity. Between 2000 and 2006, the value of residential construction grew from \$237 million to \$271 million for a 14.3% increase.

Current figures from the Federal Deposit Insurance Corporation (FDIC), which maintains a database of bank deposits for each metro area in the United States, reports that Catawba County has the 8th highest bank deposits (\$2.5 billion) of any county in North Carolina.

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Investments in our local economy pay dividends

The County's investment in funding 52% of the Economic Development Corporation (EDC) continues to benefit our local economy. The EDC worked with existing industry for expansions at Getrag Gears, Von Drehle Corporation, Flowers, and CT Group. One of the major 2006 announcements, the Target Distribution Center, is well under construction and will increase our tax base by \$90 million and bring 580 new jobs to our area. In 2007, the Catawba County EDC assisted in bringing 726 jobs and nearly \$43 million in investment to Catawba County. New companies include Tarheel Paper, Profile Products, and R3 Water Technologies. The most recent announcement in 2008 is that Williams Sonoma, a national home furnishings company has picked Catawba County as the site for a project with the potential of a \$22.5 million expansion that could create up to 820 jobs in the next five years.

The EDC continues to cultivate product development, advancing and coordinating a Multi-Jurisdictional Business Park, as well as recently announced commitments to build a speculative customer service center in Hickory and a speculative industrial building in Claremont to entice investors. As a service to existing industries, the EDC has developed the Helpweb, an online communication tool that allows users to request information or assistance.

Other investments in the community that help promote the County and stimulate the local economy include support of the Convention and Visitors Bureau, the Chamber of Commerce Visitor Information Center, and the fifth year of the Greater Hickory Golf Classic, which has an economic impact of about \$35 million annually in our County. Funds also are included for the County's share of the most recent expansion of the Hickory Metro Convention Center, which brings money to our local economy through the promotion of conventions and conferences.

Increased educational opportunities are key to a strong economic future

The Hickory Metro Higher Education Center has just completed its 6th year of operation and is a model for the State. Since it was established in 2003, more than 500 adults have completed

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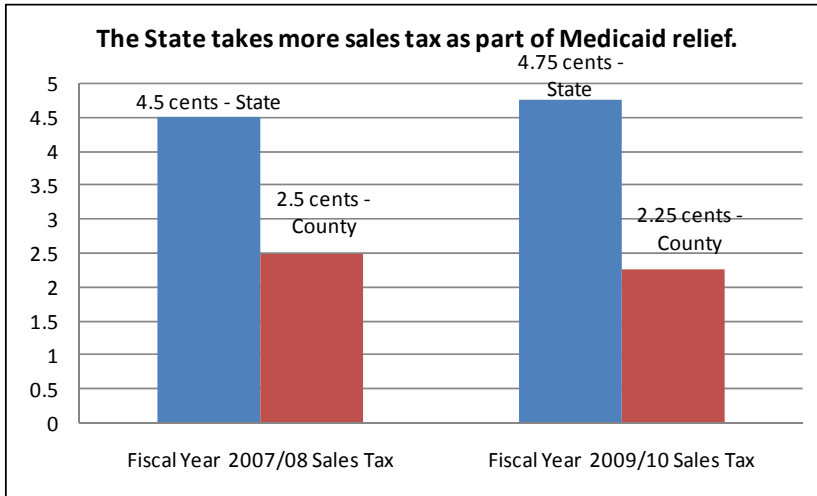
degree or licensure programs from one of the Center's partners. Currently, seven colleges and universities,

including Appalachian State University, Western Carolina University, University of North Carolina at Charlotte, Lees-McRae College, University of North Carolina at Chapel Hill, Winston-Salem State University, and Mountain State University (West Virginia) Engineering Center, offer 23 undergraduate degrees, 48 graduate degrees, and a half dozen licensure or certificate programs to more than 600 students. In addition, approximately 100 different regional businesses and industries rent the facility each year for workforce development and staff meetings throughout the year. Later this fall, Appalachian State University will begin four full-time daytime undergraduate degree completion programs. To date, 42 students are enrolled in these programs.

The newest addition to the menu of educational opportunities in our area is Western Carolina University's engineering technology degree program. The North Carolina Center for

Engineering Technologies will offer an undergraduate degree program enabling individuals employed in business, industry and State-related occupations to pursue a four-year degree through part-time evening study. Instruction will be a combination of live classes in Spindale and Hickory, supplemented by an online component.

EXPENSE HIGHLIGHTS



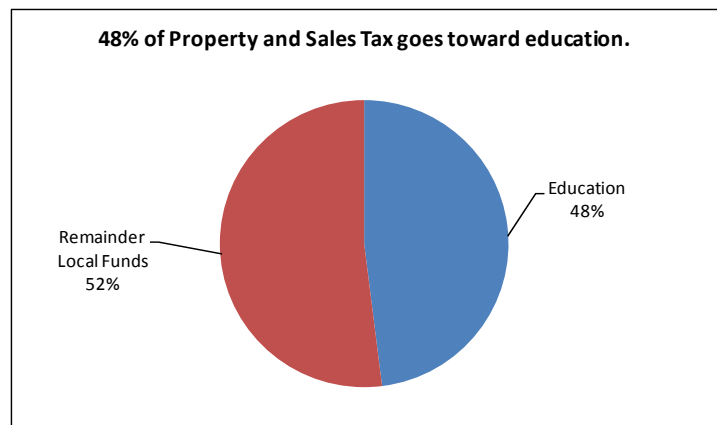
At long last, counties are granted relief from the growing burden of Medicaid.

Long awaited Medicaid relief went into effect in October 2007, accomplishing what has been the County’s number one legislative goal for many years. We will now begin to reap the benefits of the State plan to phase out the county Medicaid share completely by July 1, 2009.

In passing Medicaid relief, our State finally joined 49 others that do not require their counties to help fund all Medicaid Services. In exchange, counties will give up a half-cent of sales tax revenue. Once fully implemented, the plan will eliminate an expense that has been growing approximately 9% each year in exchange for a revenue source that could grow at about 5% yearly. Our County leaders led the charge and worked diligently to keep this goal in the forefront of the State’s legislative body. After enduring several versions, it was gratifying to see a workable plan come to fruition. Medicaid relief, however, did not turn out to be the windfall for counties that many expected since, along with gradually assuming the full cost of Medicaid, the State chose to reduce the County’s sales tax revenue. However, given that Medicaid costs are showing no signs of slowing down in the immediate future and will likely continue to grow at a much faster rate than increases in sales tax revenue, this exchange should benefit the County in the future.

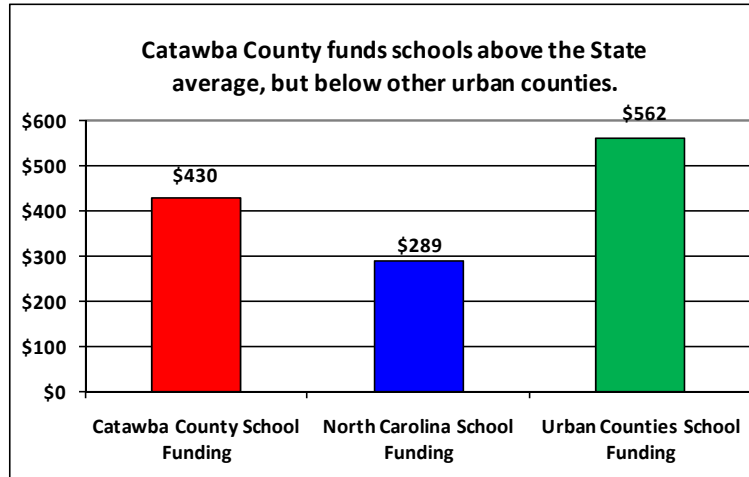
Education

Education continues to represent the largest portion of our local budget, with 48% of property and sales tax revenues going toward the instructional costs and capital needs of our three school systems and the community college. State certified enrollment numbers for the three school systems indicate that there will

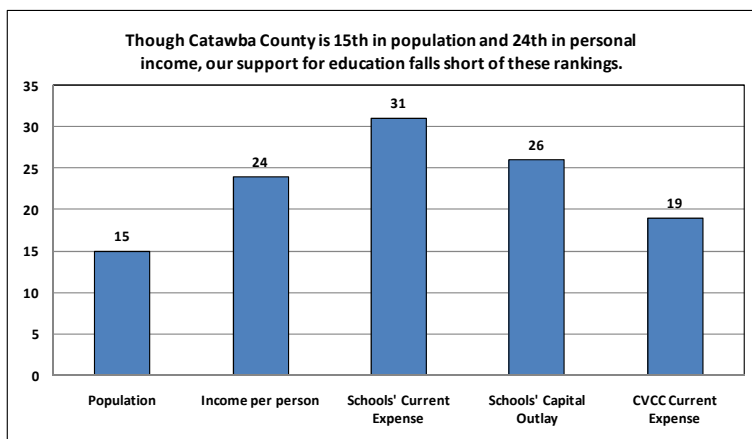


be only a slight increase in the number of students next year. Catawba County Schools student numbers are down by 87, Newton-Conover City Schools are down by 121, and Hickory Public Schools show an increase of 227 for a net gain of 19 overall, or a total of 25,264 students.

Funding the cost of school operations is clearly the responsibility of the State, but the General Assembly does not adequately fund the schools. To pay for local teaching positions, teacher supplements, utilities, and other operating expenses, the County provides supplemental dollars in the form of current expense funding on a per pupil basis. The County is required to fund each school system an equal amount per pupil. This budget funds each school system at the rate of \$1,413 per pupil, a 4.6% increase over the Fiscal Year 2007/08 funding amount. Included in this amount are funds for programs jointly operated by the three school systems – the Conover School for exceptional children, the ACT Program, Community Schools, Catawba Valley High School, the school bus garage, and the early college program at Catawba Valley Community College, Challenger High School.



In Fiscal Year 2007/08, a cent on the property tax was added to fund much needed technology updates for all three school systems. Thus far, these funds have been used for paying for fiber optic hook ups, completing placement of XP computer in classrooms, replacing or updating outdated computers, upgrade of e-mail and web servers, rewiring and adding drops to classrooms, and wireless access..



The North Carolina Association of County Commissioners' Fiscal Year 2007/08 Budget and Tax Survey indicates that Catawba County is 31st out of 100 counties in per capita current expense funding and 26th in per capita capital funding to our three school systems. The proposed budget improves our ranking from 31st to 26th in current expense funding.. Catawba

County Schools rank 20th, Hickory Public Schools rank 22nd, and Newton-Conover City Schools rank 24th out of 115 school systems in local teacher supplements:

In an effort to improve our County's ranking in community college funding the budget includes a 13% current expense increase for Catawba Valley Community College, which will move us to 16th in funding out of 58 community colleges. Our goal is to eventually be within the top ten to fifteen counties in providing support to our community college which brings so much to the County in the way of academic improvement and workforce development.

School capital projects in the budget including annual capital outlay and the continuation of the four year construction cycle that began in Fiscal Year 2007/08 are:

- Catawba County Schools: Fred T. Foard High renovations including a new cafeteria, three (3) classrooms, gym air conditioning, and track and athletic facility improvements; St. Stephens High track and athletic facility improvements and a greenhouse; Webb Murray Elementary addition and renovations; purchase of property in the Propst Crossroads area for a future elementary school; roofing at Fred T. Foard and Bandys High and Clyde Campbell Elementary; renovations at Maiden Middle; gym bleacher replacement at Murray Elementary; renovations at the annex building to house the Human Resources staff and provide space for teacher training; HVAC system upgrades at seven schools; asbestos flooring replacement at Clyde Campbell Elementary and Bandys and St. Stephens High; five activity buses; warehouse delivery truck; energy management lighting replacement at 10 elementary schools; and window replacement at Startown, Tuttle, and Maiden Elementaries.
- Hickory Public Schools: roof replacement at Southwest Elementary; asbestos abatement at Hickory High; gym floor at Viewmont Elementary; and the purchase of three mobile classrooms.
- Newton-Conover City Schools: boiler replacement at the administration building; roofing projects at Thornton Elementary, Newton-Conover Middle, the Central Office, and Shuford Elementary; rooftop units at Thornton Elementary; gym floors, bleachers, windows, lighting, and upgrade of the lobby at Newton-Conover High.

The Capital Outlay Budget also includes \$49 per pupil, a total allocation of \$1,187,936, for small capital and repair needs costing less than \$12,500. The individual school systems decide how these funds will be spent throughout the year. In addition, the County funds half of the cost of both a construction project manager for Catawba County Schools and a shared project manager for Hickory Public Schools, Newton-Conover City Schools, and Catawba Valley Community College.

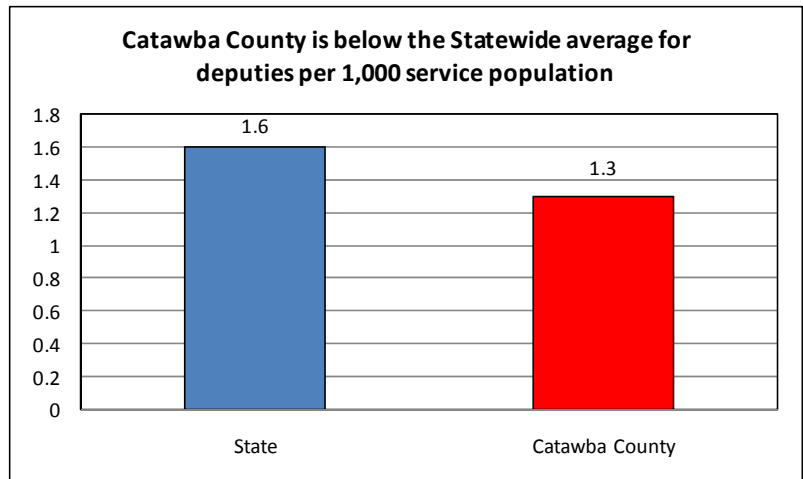
Capital projects for Catawba Valley Community College include funding for general renovations, security cameras to be installed campus-wide, an HVAC/boiler replacement, and repairs to the cooling tower at the multi-purpose building.

Public Safety

Sheriff's Department Receives Needed Staffing Increases

The budget includes four new positions for the Sheriff's Department. Overall, staffing additions to the Sheriff's Department have not kept pace with growth in the County. A comparison of sworn staff per 1,000 people served shows the Catawba County Sheriff's Department below the

Statewide average for Sheriff's Departments of 1.6 deputies per 1,000 people served. We are currently at an average of 1.3 deputies per 1,000 people served and only 1 if sworn jail staff is excluded. The Sheriff's Department has a 5-minute or less response time goal for emergency calls. Our understaffing appears to be impacting response times, as we are exceeding this goal by



almost 1 minute during the day and by 2 ½ minutes at night. As a result, the 8-year service plan includes two additional road patrol deputies per year over the next four year period. Annually, response times will be reviewed to determine how these deputies can best be assigned to meet our needs. In Fiscal Year 2007/08, response times were averaging higher in the southeastern portion of the County so two (2) road patrol deputies were added to provide increased coverage. Since response times are averaging higher at night than during the day, the two (2) road patrol deputies added this year will be assigned to night shift.

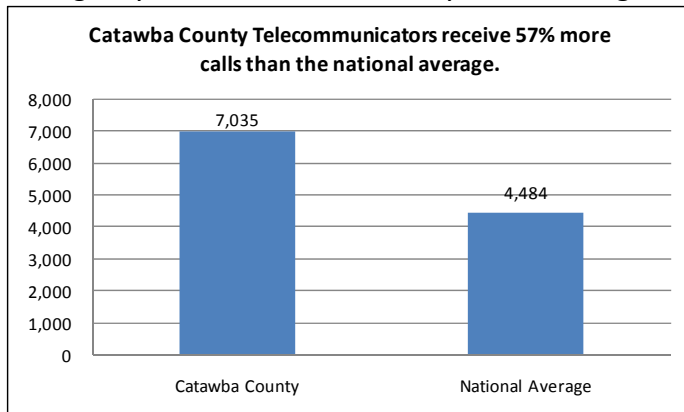
Growth is also impacting our court staffing needs. The State added a new district court judge resulting in the need for an additional deputy to staff the new civil court operating three days per week. This deputy will also assist with inmate transports as needed. Catawba County continues to fund Electronic House Arrest for eligible criminal and child support defendants. This effort diverts possible inmates and helps control the Jail population.

Finally, an Evidence Technician/Desk Deputy is included in this budget. Currently, an investigator who also carries a heavy caseload with the criminal investigation division handles evidence. While an investigator is needed to collect evidence at a crime scene, there are many duties that could be performed less expensively by a Deputy, such as collecting and cataloging evidence brought in daily by road patrol deputies and investigators, guarding evidence in court during cases, making evidence available for defense discovery, and disposing of evidence after a trial is complete. These duties can be very time consuming, particularly with murder cases. Moving these responsibilities to a Deputy will allow the Investigator to be used in a manner more consistent with their extensive training. This deputy will also assist the public with walk-in reports and questions.

We continue our investment in the Burke-Catawba District Confinement Facility (BCDCF). While we project the need for an additional 128 bed pod by Fiscal Year 2014/15, at the moment we have some bed space available at the Catawba County Detention Center and the BCDCF. The Sheriff's Office has begun to rent beds to the US Marshal Service, up to a total of 20 per day. Burke County needs additional bed space and is renting our unused beds at the BCDCF. Revenue from these rentals will be reserved for the future jail addition.

911 Emergency Communications Center receives additional telecommunicators to maintain Commissioners' goal of 90 second dispatch.

An ongoing outcome for the Communications Center is to ensure citizens receive prompt emergency and medical care by maintaining a 90 second dispatch time average on all

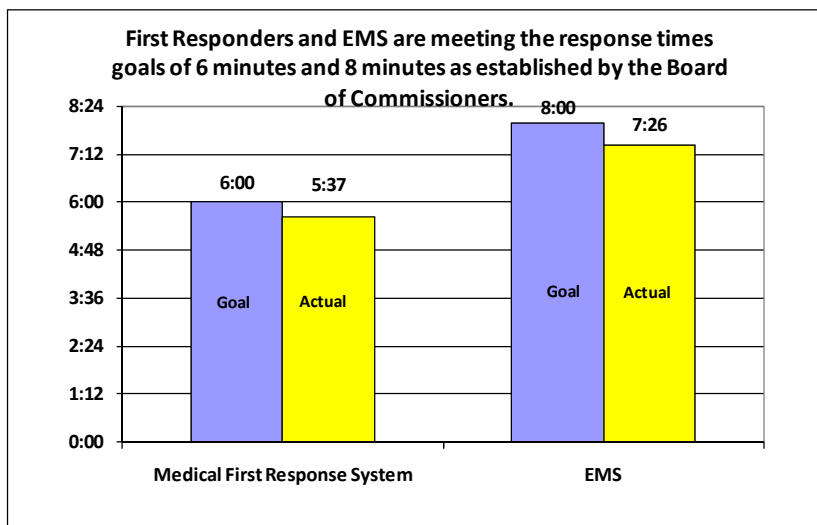


emergency calls throughout the County. The Center is still meeting this outcome but is having difficulty doing so with an annual call volume increase of more than 1,300 calls per telecommunicator or an increase of 50% since the 2000 Emergency Services Plan was conducted. Based on recommendations from this plan and a comparison of national data, the Center is 5 to 6 telecommunicators understaffed. The budget includes

funding for two (2) additional telecommunicators with plans to add two (2) per year in Fiscal Years 2009/10 and 2010/11 to ensure a quicker response time.

Keeping our eye on the Board of Commissioners' goal of an 8 minute response time for Emergency Medical Services

For Fiscal Year 2008/09, up to four (4) new EMT Paramedic positions will be added to expand the hours of the second EMS crew in Newton, which runs from 9:00 a.m. to 5:00 p.m. Monday through Friday. Two (2) new EMTs will be added in July 2008. The County will analyze the EMS demand in Newton during the next fiscal year to see if two additional EMTs, which are budgeted, are warranted in January 2009.



The additional staff is needed because the Newton area has seen a 20% increase in call volume over the last two years. With the new EMTs, the second

EMS crew will be able to run for another 40 hours a week starting in July 2008 and another 40 hours a week starting in January 2009 (in total the second Newton EMS crew will be in service for 120 hours a week). The additional hours will help to decrease the frequency that EMS crews from Catawba and Sherrills Ford have to respond to calls in the Newton area when the second Newton EMS crew is not in operation. The calls that Catawba and Sherrills Ford EMS crews take from Newton have been the main reason both districts have seen their average response times begin to rise over the Board of Commissioners' response time goal of eight minutes.

Ensuring a healthy and adoptable animal population in our Shelter

The Catawba County Animal Shelter provides services for all eight municipalities in the County. Several service improvements are planned:

- In an effort to increase the number of animals that are adopted out of the Animal Shelter and decrease the number of animals contracting disease while in the Shelter, the County is adding an Animal Care Coordinator. The Animal Care Coordinator will medically evaluate animals as they come into the Animal Shelter and give them immunization shots so the animals do not spread or contract diseases. Once the Animal Care Coordinator has medically evaluated an animal, he/she will work to adopt the animal with either a family in the area or with an animal organization (e.g. the Humane Society or rescue groups). The Animal Care Coordinator is needed because, in the last year, the Animal Shelter has seen a rise in the number of animals contracting disease. For example, in late February of 2008, 17% of all animals that entered the Shelter contracted a life threatening illness that could have been prevented with a vaccination. In addition to the above responsibilities, the Animal Care Coordinator will also lead vaccination and spay/neutering media campaigns for Catawba County. This effort will help to lower the number of animals that have to be lethally injected as a result of illness or disease.
- Animal Shelter staff has received training on lethal injection for diseased, injured, and unadoptable animals.
- The Shelter now has the ability to scan micro chipped animals and this allows the Shelter to more quickly and efficiently return pets to their owners. In addition, when a pet can be quickly matched to its owner, the Shelter avoids the expense of housing, feeding, providing medical care, and outplacing or euthanizing the pet.
- Plans are also underway for Internet posting of animals to encourage more adoptions. New software will be in place by July 2008 for Shelter staff to post animals available for adoption and found animals. This software will also allow the public to post lost animals. Animals will be posted by date lost or found, species, breed, sex, and municipality. In order to increase the amount of adoptions at the Catawba County Animal Shelter, the shelter will be increasing its nighttime and weekend hours, which are more convenient for citizens who are interested in adopting animals. Hours will be increased during the evenings and on Saturday to allow owners who have lost an animal the opportunity to access the shelter after their workday.

Fire Service

The Board of Commissioners has a goal of providing medical first response within 6 minutes. St. Stephens Fire Department has agreed to provide Medical First Response within their fire district, which is currently part of Hickory Rescue's district. Hickory Rescue has, by far, the largest area to service in the County, and has been having difficulty meeting their 6 minute mandated response time. Funds will be expended this year in one time costs to assist in the purchasing of Medical First Response equipment for St. Stephens.

To increase service and assist the Hickory Rescue Squad, Hickory Fire Department will begin providing Light Rescue in the city limits and within their rural district. One time costs to purchase equipment and reimburse Hickory Fire for the overtime incurred for training are included in the budget.

For many years the Denver Fire Department has provided excellent service to three areas along the Lincoln/Catawba County line near Lake Norman. It has been our long range plan for Sherrills Ford Fire to serve these areas as feasible. With the recent completion of the Sherrills Ford Fire Station on Slanting Bridge Road, Sherrills Ford Fire Department can now provide a faster response time to the eastern area (where Slanting Bridge Road is located). In addition to providing a better response time, the transfer to the Sherrills Ford Fire Department should result in an improved fire rating for the majority of the area's parcels. The Sherrills Ford Fire Department will begin service to the eastern area on July 1, 2008.

Following the addition of the eastern area to Sherrills Ford's Fire District in 2008, our plan is for Sherrills Ford Fire Department to take responsibility for the western section (around the intersection of Highway 150 and Highway 16) on July 1, 2009. By this date, the Sherrills Ford Fire District will have completed an insurance re-rating, which will improve the fire ratings for a large majority of the parcels in the western section. In addition to improving the fire rating, the Sherrills Ford Fire Department will be able to improve or closely match the response times of the Denver Fire Department in the area.

We hope to continue to contract with Denver Fire Department to provide service to the central area (Pebble Bay and the adjacent areas) of Sherrills Ford since they are situated in the best location to provide the citizens with a quick response and improved fire insurance rates.

Solid Waste

In 1995, the County held enough property to operate the Landfill for 20 years or 2015. The County, through careful management of its Solid Waste Enterprise Fund, has purchased additional properties and now holds permitted land area to sustain its landfill operations for a minimum of 60 years, or through 2067. Solid Waste is self-supporting, funded by fees with a tipping fee that has remained stable at \$30 per ton since 1995. Effective July 1, 2008, the tipping fee will increase to \$33 per ton.

\$1 of this increase will be local, the first increase in 13 years. Rising fuel costs continue to demand resources and is the predominate reason for the \$1 local increase in tipping fee. The

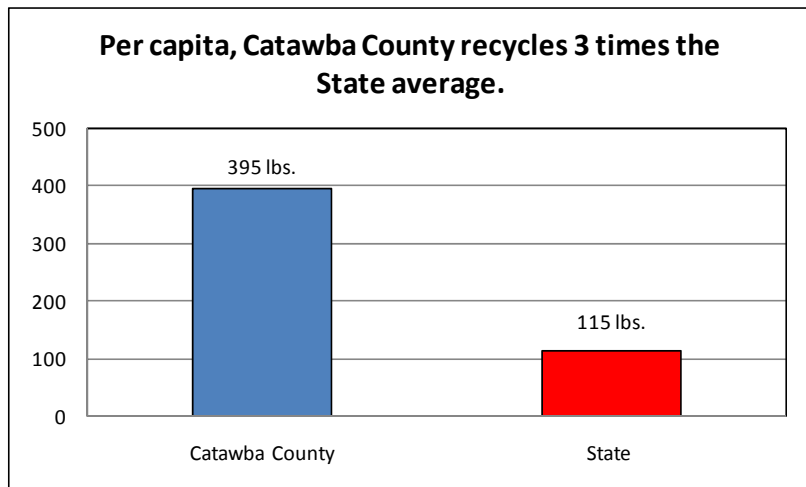
Landfill's operation is comprised mostly of equipment resources using both on-road and off-road diesel fuel. Fuel costs have increased 9% over the last year. Operating costs are also influenced by cumulative requirements placed on the Solid Waste Fund by mandatory compliance with State rules and laws. Each year, demands increase due to the increased size of the Landfill base, including closed portions of the Landfill. As this base grows, post closure and closure costs increase as well as the requirement for reserves associated with financial and environmental assurances. For the first time, the Solid Waste Fund will be required to pay mandated annual permit fees of \$5,000 to the State for its Municipal Solid Waste and Construction and Demolition Landfills and a new State permit fee for the construction of new Landfill cells of \$35,000.

The State has mandated a \$2 per ton disposal tax on all buried waste, which Catawba County vigorously opposed. Last year, the County buried approximately 212,000 tons of waste in the municipal solid waste and construction and demolition landfills. Therefore, the \$2 State tax will cost the County's residents and businesses \$408,000 in Fiscal Year 2008/09.

Recycling efforts

Catawba County continues to be a leader with regard to recycling, ranking 3rd in the State in 2006, and educational outreach efforts to promote good stewardship of our natural resources. Recycling 19% of its waste, Catawba County ranks among the top in the State, per capita, for recycled materials. In Fiscal Year 2005/06, the County recycled 395 pounds of material per person, approximately three times the State average of 115 pounds.

The budget continues to fund two Household Hazardous Waste events per year, held the first week in May at the Government Center and the first week in November at L.P. Frans Stadium in Hickory. These events provide an opportunity for citizens to



dispose of residential household hazardous waste in an environmentally sound manner. The event held in May 2007 resulted in 602 vehicles representing 765 households dropping off 54,690 pounds of household waste such as aerosols, alkaline batteries, pesticides, paint and household cleaning products, and 17,053 pounds of electronic waste such as telephones, computers, fax machines, and televisions. The event held in November 2007 was equally successful, resulting in 614 vehicles representing 668 households dropping off 61,272 pounds of household waste such as aerosols, alkaline batteries, pesticides, paint and household cleaning products, and 23,677 pounds of electronic waste such as telephones, computers, fax machines, and televisions.

EcoComplex Provides Innovative Waste Management and Resource Recovery

The 2007 Thomas H. Muehlenbeck Award for Excellence in Local Government was presented to Catawba County in July 2007 by the Alliance for Innovation. This national award honored Catawba County's ongoing efforts to create an EcoComplex at the Blackburn Landfill on Rocky Ford Road. It is the goal of the Catawba County EcoComplex to develop a system that will recover and use all useable products and by-products from a group of private and public partners located at the EcoComplex. These partnerships bring the old saying "one man's trash is another man's treasure" into real life.

The key Partners in the shared relationships of the EcoComplex are:

- The Blackburn Resource Recovery Facility is accepting approximately 750 tons of municipal and construction/demolition waste per day.
- The Blackburn Landfill Gas to Energy Electricity Generating Facility is collecting the methane gas produced by the waste deposited daily in the Landfill to generate and sell to Duke Power approximately 3 megawatts of electricity per hour or enough electricity to power approximately 900 to 1,000 average sized homes. Electricity sales to Duke Power generate roughly \$500,000 per year.
- In Fiscal Year 2006/07, Catawba County generated \$22,810 by selling green credits.
- Gregory Wood Products is operating at about 60% of its capacity producing 65,000 board feet per hour and is the largest producer of fuel (sawdust, shavings, bark, etc.) for use in the Bio-Energy Facility. Gregory Wood Products will use the steam generated by the Bio-Energy Facility in its wood drying kilns. The Bio-Energy Facility will have with Gregory Wood Products is that the Bio-Energy Facility will use the sawdust and other wood waste byproducts as a fuel source for the gasifier boiler used to produce the steam.
- Pallet One, Inc. (Pallet Manufacturing), the largest new pallet manufacturer in the United States, takes wood waste produced by Gregory Wood Products and turns it into wood pallets used by a host of industries.
- The Bio-Energy Facility will consist of a newly constructed wood-fired steam production plant that will convert the sawdust and other waste products of Gregory Wood Products, Pallet One, and the Landfill to produce steam and heat. The steam and heat would then be used by Gregory Wood Products and Pallet One for drying kilns; by the County to produce more electricity and for the sludge maintenance facility; by an Appalachian State University biodiesel research facility; and a future greenhouse.
- A new Biosolids Processing Facility, owned by Hickory, Conover, and Catawba County is anticipated to be in service in 2010. This wastewater sludge management facility will replace the existing Regional Sludge Management Facility that is expected to be at its capacity within the next 4 years. The new facility will have the capacity to serve the wastewater sludge management needs of Catawba County and the Unifour region for approximately 20 years. Locating the new facility at the Eco-Complex will provide the added benefits of providing residual solids from the facility for soil amendments, gray water for irrigation, and biogas for energy production.

- Appalachian State University will begin operating a research facility testing biodiesel produced by several companies in the region, as well as growing test crops around the landfill to determine which crops grow best in our climate and which crops produce the best oils for the making of biodiesel. The facility will use the electricity produced by the Landfill and heat created by the existing co-generation units to operate.
- Composting/Soils Amendment is a future planned component of the Eco-Complex in which another private partner in the business of bagging and selling a compost/soil amendment product and possibly bagged mulch would be co-located at the site.
- A brick specialties company has verbally agreed to locate within the EcoComplex at a later date. This company will produce specialty brick shapes and brick art and has also tentatively agreed to the co-location of kiln space for local potters' use and locating a classroom space for community education.
- A greenhouse is planned and a company is considering the EcoComplex as a location for approximately 100 acres of greenhouse space for the growing of vegetables and/or flowering plants.

Human Resource Agencies

Public Health

The budget includes two new positions for Fiscal Year 2008/09 – one (1) Child Service Coordination Nurse, .40 Health Educator funded by a tobacco grant to work with schools to provide education, recruit youth for tobacco cessation/prevention advocacy, facilitate youth advocacy and other tobacco prevention groups, and develop, and market tobacco prevention messages and materials, and .60 Health Educator/Public Relations Coordinator position to promote programs of Public Health so citizens are informed about services provided and develop a greater understanding of health topics and problems in the County.

Public Health is funded by County, State, and Federal dollars as well as fees and other miscellaneous revenues. The percentage of revenue contributors to the Public Health budget are:

- | | |
|-----------------|-----|
| • County | 15% |
| • State/Federal | 19% |
| • Fees/Medicaid | 57% |
| • Other Revenue | 9% |

Public Health continues to deal with the financial impact of the cost of uncompensated care, which was \$1,564,130 in Fiscal Year 2006/07. The areas this impacts the most are Women's Health, Adolescent Health and Maternal Health. Some factors that continue to contribute to the increase in uncompensated care include:

- Unemployment due to the closing of several businesses in the area in the past six (6) years
- Lower wages due to changes in employment status
- Insurance no longer available or affordable through employers

- A higher number of females between the ages of 11 to 18 being seen for Adult Preventive Services but not covered under parent insurance due to confidentiality of services.

In an attempt to manage this cost, there are several efforts underway and/or planned for the upcoming year. A new eligibility policy will require verification of income and the use of economic units (anyone living in the home and providing financial support for the home) rather than family unit (persons living in the home related by blood or marriage) to count family size. Public Health will offer different payment plans for outstanding balances. They will put a procedure in place to ensure all steps are completed for patients to apply for Medicaid. All of these efforts are an attempt to improve in the area of billing, collection, and revenues in general.

Catawba County Health Partners, a State required group of health professionals and volunteers throughout the County to address health issues and concerns, has identified four areas of concentration through a 2007 Community Health Assessment: access to care, childhood obesity, substance abuse, and cancer. One of the large successes of the Partners is Medical Access of Catawba County (MACC), a community health network where physicians and the hospitals volunteer to provide health care services to those in the 18-64 year age group that are uninsured and have chronic diseases. Currently, over 50 physicians have signed on to participate.

Public Health is slated to go through Statewide accreditation in October 2008. This will be valid for four years and will demonstrate that our Public Health agency meets all the standards required by North Carolina General Statutes for the provision of services.

Social Services

The Social Services budget has decreased 9% from last year, mainly due to the phasing out of the County's portion of Medicaid payments, which will be completely eliminated in Fiscal Year 2009/10. Social Services continues to meet and exceed their performance outcomes. Last year as the area's economy attempted to stabilize, 154 individuals receiving welfare became employed and independent, and child support collections exceeded \$14 million, which ranked us 5th in the State for collections. Adults were able to remain in their homes and stay healthy through a network of 1,087 volunteers delivering meals and companionship. Family Builders helped 66 children receive permanent placements through adoption.

For Fiscal Year 2008/09, 31 outcomes have been established as part of their performance based budgeting that reflects continued efforts to work with citizens toward self-sufficiency. The senior population continues to grow, increasing the need for home and community based services. It is a goal of Social

The senior population continues to grow, increasing the need for home and community based services.

Services to reduce the overall costs for this population's care by keeping these persons in their own home whenever possible. The forecasted savings for Fiscal Year 2008/09 from these coordinated efforts is \$3 million.

Social Services is funded by County, State, and Federal dollars as well as fees and other miscellaneous revenues. The percentage of revenue contributors to the Social Services budget are:

- County 32%
- State/Federal 47%
- Fees/Medicaid 17%
- Other Revenue 4%

Mental Health

Effective July 1, 2008, Mental Health Services of Catawba County and Burke County will formally merge into a multi-county area authority called Mental Health Partners. This merger is a result of State mandated Mental Health Reform, which has been phased in over the past four years. In the past transitional year, Mental Health Partners opened an office in Burke County. Many providers contracted by Catawba were also working with Burke consumers of mental health services, so a strong service base working with the local managing entity has transitioned well. With the merger now complete, Mental Health Partners will retain its leadership under the current Area Director, along with its experienced base of employees. Planning for this merger has been a thoughtful process, and the willingness of the participants to collaborate creatively will hopefully serve Catawba County consumers well in the coming years. Catawba County will provide funds to the authority that match Burke County's per capita contribution. Any services provided exceeding these funds will be subject to contract with Mental Health Partners on a year to year basis, based on need and performance.

Mental Health is funded by County, State, and Federal dollars as well as fees and other miscellaneous revenues. The percentage of revenue contributors to the Mental Health budget are:

- County 6%
- State/Federal 71%
- Medicaid 16%
- Other Revenue 7%

Looking toward the future with an 8-Year Operating and Capital Improvement Plan

In Fiscal Year 2007/08 the Board of Commissioners established a goal to complete a long range plan for the delivery of County services so budgets could be modified to deal with growth. To meet this goal, all County departments were asked to look at updated figures from the Western Piedmont Council of Governments, which highlighted projected growth in the County for the next 8 years. Our greatest area of growth is in the Southeastern portion of the County along the lake. This area is expected to increase 48% by 2016. The second largest areas experiencing growth are the County Home and Lee Cline Roads of Conover and the Highway

321 to Highway 16 Corridor. These areas are following by the Northeast corner of the County, including the Oxford area, and the Southwestern portion of the County, including Mountain View and Brookford. Departments used this data to determine their service delivery needs beginning with Fiscal Year 2008/09 if the projected growth occurs. The result of these efforts was the development of an 8-Year Operating and 8-Year Capital Improvement Plan that will help guide annual budget decisions. Each year these plans will be updated to include a full 8-year projection, and planned service expansions will be evaluated to ensure the growth assumptions and identified needs are still accurate. Highlights of the plans over the next 8 years include:

- **Schools and Community College** – A new school construction cycle began in Fiscal Year 2007/08 with the commitment of 3 cents on the property tax, in addition to up to \$1.4 million in lottery proceeds, to pay the debt on an \$85 million, four year construction and improvement plan prepared by the school systems and Catawba Valley Community College. Some school projects identified in the second four years of the 8 year plan for schools currently at capacity or projected to be at capacity by the Growth Estimation Model from the Western Piedmont Council of Governments are a gymnasium at Bandys High School; a gymnasium at Bunker Hill High School; cafeteria, classroom, and resource center renovations at Campbell and Claremont Elementaries; planning funds for East Catawba High or Middle; a gymnasium at Fred T. Foard High; classrooms at Lyle Creek Elementary; classrooms and media retrieval at Maiden Elementary; new Mountain Creek Elementary; kitchen and cafeteria renovations at St. Stephens High; Hickory High renovations including a new HVAC system, roof replacement, wiring, plumbing, replacement of all windows, and enclosing the breezeway between the entrance and the gym; new Hickory Elementary; renovations at Jenkins, Viewmont, and Oakwood Elementaries; gym and classroom additions at Shuford Elementary; and classrooms, gym, and cafeteria renovations at South Newton Elementary. The plan also provides some much needed upgrades to Catawba Valley Community College's 50 year old campus, such as upgrades to the HVAC/Electrical system, a Cultural Arts Center, and renovations to the General and Academic Classroom Building.
- **Library Branch Expansion** – The County began setting aside funds in Fiscal Year 2007/08 for a new branch library facility for Sherrills Ford to be located in the planned Village Center. Construction is planned for Fiscal Year 2010/11 with the facility opening to the public the following year. The plan identifies projected operating and staffing costs for the new and expanded library.
- **Expansion of Park Services** – The Board of Commissioners adopted a Parks Master Plan in December 2007 to expand passive recreation opportunities in the County. In response to citizen requests, the first step in the plan is to return Bakers Mountain and Riverbend Parks to six (6) days of operation from four (4) days in Fiscal Year 2008/09. The County will also begin operating St. Stephens Park on a 4-day per week basis in Fiscal Year 2008/09 with services including a dog park, picnic areas, and walking trails. Park expansions are planned at Bunker Hill Bridge and Mountain Creek. Plans are to pursue grant funds for the Bunker Hill Bridge first in order to better secure the

property, protect the historic covered bridge and take advantage of an existing North Carolina Department of Transportation grant that is near expiration. This park will be developed in two phases with minimal trails, parking, and restrooms in the first phase. Immediately after completion of this first phase for Bunker Hill Park, grants will be pursued for Mountain Creek Park, located in the southeastern section of the County. Duke Energy has committed to provide a minimum of 300 acres of land for the park and has applied for a Clean Water Trust Fund Grant that could fund up to a 600 acre park. The County will pursue Parks and Recreation Trust Fund (PARTF) grant funds to build trails, facilities, and prepare the park to open to the public in January 2013.

- **Justice Center Expansion** – The Justice Center is almost 30 years old and no longer provides adequate space for our courts. An expansion is planned to add more space for courts and court related functions.
- **Public Safety Center** – The 911 Emergency Communications Center and Emergency Operations Center (EOC) are completely out of room and power in the Justice Center. Newton EMS Base is located in the Agricultural Resources Building (ARC) which is extremely old and no longer meets their needs. A new facility will be built to house these critical Public Safety Functions as well as the Emergency Services administrative offices, Fire/Rescue Division, Newton EMS Base, and possibly space for Newton-Conover Rescue.
- **EMS Base Expansions/Realignments/Replacements** - The Catawba County Board of Commissioners has mandated an eight minute average response time for the Emergency Medical Services (EMS) crews. With forecasted call volume/demand to increase by 55% in the next eight years, EMS will have to increase EMS crews and base locations to maintain an eight minute average response time. The County is planning to add service hours to its second EMS crew in Newton and add new EMS crews in Sherrills Ford, Conover, Bandys, and the Hickory area over the next eight years. Instead of building new bases, we will look for opportunities to co-locate with other rescue and fire departments in the following areas: Sherrills Ford, Conover, Bandys, Hickory, and the southwestern part of the County. Besides building additions, a replacement EMS base will be needed in Hickory to replace a base that has been in operation for over 25 years.
- **Law Enforcement Services** – The plan addresses staffing needs for the Sheriff's Department. The area with the largest identified need is Road Patrol, where staffing levels have not kept pace with the growth in population or calls for service. The addition of two (2) Road Patrol Deputies per year is recommended through Fiscal Year 2011/12 to help with increased call volume and response times. Caseloads for Investigators are far outpacing the department's manpower to address them with over 1,300 cases annually that warrant assignment to an Investigator remaining with Road Patrol, and many that are assigned to an Investigator having to wait a year or more for the investigation to begin. To address this shortage, seven (7) Investigators are recommended between Fiscal Years 2011/12 and 2015/16. The plan also includes staffing increases in the areas of Records and Courts resulting from the increased number of criminal cases processed annually.

- **Jail Expansion** – With the recent Jail expansion, we planned for future needs by building core infrastructure such as the kitchen, sally port, and video visitation large enough to accommodate bed expansions. The inmate population in the Jail continues to rise approximately 4% annually. As a result, it is anticipated we will again reach our capacity in the Catawba County Detention Center and the Burke-Catawba District Confinement Facility by Fiscal Year 2014/15. A 128-bed expansion is planned for that year with operations beginning the following year. In the meantime, we are renting beds to the Federal government and to Burke County and banking the proceeds to help fund the expansion.
- **Increased 911 Emergency Communications Center Staffing** – The 911 Emergency Communications Center has a goal of dispatching all emergency calls within 90 seconds of call receipt. With an increase in call volume of more than 50% or 1,322 calls per Telecommunicator since the 2000 Emergency Services Plan was completed, this goal is becoming increasingly difficult to meet. Based on the study recommendations from that plan and national data, the Communications Center developed a strategic plan which indicates we are currently at least 5-6 Telecommunicators understaffed when looking at call volume and calls per Telecommunicator. The addition of two (2) Telecommunicators per year is recommended until Fiscal Year 2011/12 to remedy this deficit, after which dispatch times, call volume, and staffing levels will need to be reevaluated to determine needs.
- **New Animal Shelter** – The Catawba County Animal Shelter provides service for the entire County. A new animal shelter is planned for Fiscal Year 2013/14. The current Animal Service facility is over 20 years old. Currently the Shelter is averaging around 190 animals per day, when its capacity is 87. It was not designed to meet the current capacity of animals we are housing or the newest treatment options. There is no separate entrance for animals that are owner surrenders, and the public and animals use the same entrance. Both of these factors aid in transmitting diseases within the general animal population and lead to the need to lethally inject animals that would otherwise have been adoptable. The current facility lacks adequate office and storage space for the perishable food items and other equipment necessary to operate. There is also no space for officers to meet with citizens in a private area.
- **Technology Upgrades and Enhancements** – The County continues to invest in technology designed to improve staff's ability to deliver services to the public and improve our overall efficiency. Web based services such as online payment and permitting options will be implemented. The County strategically allows County employees to work away from an office environment, keep them in the field more hours, reduce costs, and provide better service for the public. To date, funding has enabled a mobile workforce in Environmental Health, EMS, Sheriff, Building Inspections, School Nurses, Home Health nurses and Animal Control. Expansions are planned in the areas of Maintenance, Tax Appraisal, Code Enforcement, and Fire Marshal. Upgrades are planned for critical operational software packages such as the County's tax system, financial and personnel systems, permitting, and Microsoft Office.
- **Building Inspections and Code Compliance** – With a 10.2% rise in population projected through 2008-2016, an influx of new housing is expected. For the Building Services

Division to continue to inspect between 10 and 14 structures per day, an additional employee will need to be added in Fiscal Year 2012/13, funded by Building Services fees. It is also anticipated that the housing influx will necessitate the addition of a Code Compliance Officer in Fiscal Year 2012/13 in order to continue closing 98% of violation cases. Around 10% of the funds for this position will come from assessed fees.

- **Water and Sewer Investments** – As the County continues to grow, so does the demand for clean drinking water and sewer. The County currently has over \$100 million in water and sewer projects proposed or requested by citizens and cities. To help address these needs \$1.45 million of the ¼ cent sales tax is dedicated to funding Countywide water and sewer needs. Some of the projects planned or areas to be served include: Blackburn School Sewer, Community Road Water, Rocky Ford Road and Startown Road Water Loop, Molly's Backbone/Mombo/Long Island Water Loop, Oxford Park/Rockett Terrace Water, Rock Barn Road/Oxford School Road Water Loop, Riverbend Road Water, and Highway 16 North Water.
- **Solid Waste** – The plan includes future phases of the Blackburn Landfill and closure of older sections. We are building phase 1 of unit 3 now and will begin moving into phase 2 in 2012 at a cost of \$7 million. Closure of Unit 2 will take place the following year at a cost of \$7.6 million. It also continues investment in the EcoComplex and Regional Biosolids Processing Facility, converting the Blackburn Landfill into a true Resource Recovery Facility.

Personnel

The budget includes an increase of 18.5 FTEs, primarily in public safety, 12 of these requiring new County funds. These include 2 Road Patrol, 1 Court Security/Federal Transport Deputy, and 1 Evidence Technician/Desk Deputy for the Sheriff's Department; 2 EMTs that will allow the primetime Newton EMS crew to run an additional 80 hours for Emergency Medical Services; 1 Animal Care Coordinator in Animal Services; 2 Radio Telecommunicators in keeping with the Emergency Services Plan; 1 Park Ranger to support expanded hours at Riverbend and Baker's Mountain Parks; 1 Maintenance Mechanic position; and 1 PC Specialist position in Technology. The remaining 6.5 positions will be paid for by increased revenues/fees or State and Federal funds as follows: 2 EMT Paramedics in January 2009 based on need and funded by increased fees; .50 Attorney, focusing on law enforcement, funded by Indirect Cost; 1 Public Health Nurse, funded by fees; .40 Public Health Educator, grant funded; .60 Public Health Educator, funded by other sources; 1 Delinquent Tax Collector, funded by increased revenues; and 1 Programmer Analyst, funded by Indirect Cost.

The budget includes a 1% cost of living adjustment to keep salaries competitive. Other salary adjustments will continue to be earned based on performance, as judged on employees' anniversary dates. For those who meet annual expectations, 1 ½% is budgeted; for those who exceed annual expectations an additional 2% is budgeted.

Increased wellness efforts, which the County began in 2005, continue to pay off. Because we are self-insured and have had low claims this year there will be no increase in health insurance premiums for employees next year. However, there will be a 5% increase in dental insurance.

We continue to require annual physicals and participation in the County's health screening in order to catch potential problems early.

CONCLUSION

Catawba County continues to be proactive as we deal with the changing landscape in both our economic base and our growing and diverse population. The success of Medicaid Relief and our lobby for a local sales tax were hard fought battles and a testament to the payoff that results from good leadership and perseverance. We will continue to lobby at the State level for legislation that will have a positive impact on our local economy and our citizens.

The Fiscal Year 2008/09 budget holds the property tax rate at the current level and puts in place an eight year plan for the provision of County services that addresses growth and its impact on our ability to maintain current services vital to our citizens. It continues the Board of Commissioners' commitment to provide for the health, welfare, and safety of the citizens as we move forward and plan for the opportunities that lie ahead.

This budget message, as well as the complete budget document, may be accessed on the Internet at www.catawbacountync.gov or any of the public libraries in Catawba County.

Respectfully Submitted,

A handwritten signature in black ink that reads "J. Thomas Lundy". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Thomas Lundy
County Manager